

Legislative Fiscal Bureau

Fiscal Note

HF 2116 - IRC Update (LSB 5238 HV)

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Fiscal Note Version – HF 2116 as amended by S-5041

Requested by Senator David Miller

Description

House File 2116 as amended by S-5041 updates the Code of Iowa to conform with federal tax law changes through January 1, 2002. This conformity allows taxpayers to calculate Iowa taxes on generally the same taxable income as federal taxes. This annual update is commonly referred to as the Internal Revenue Code (IRC) Update Bill. House File 2116 as amended by S-5041 also makes several corrections and adjustments to the Code of Iowa relating to the school districts income tax surcharge, the tax status of federal income tax rebates, and the innocent spouse statute.

Because the Bill couples Iowa tax law with the Internal Revenue Code through January 31, 2002, the change does not adopt the Internal Revenue Code changes included in the recent federal stimulus package. Those changes were effective March 9, 2002.

Amendment S-5041 removes the sections of the Bill relating to school district income tax surcharges.

Fiscal Impact

The net fiscal impact of HF 2116 as amended by S-5041 is a reduction in General Fund revenues of \$5.0 million in FY 2003 and \$7.8 million in FY 2004. The individual provisions with an estimated fiscal impact are listed below:

Tax Item	FY 2003	FY 2004
Pensions and Retirement Accounts	\$ - 4.4 million	\$ - 5.4 million
Business Sale Capital Gains	- 0.6 million	- 0.2 million
Income Tax Surcharge (deleted)	0.0 million	0.0 million
Federal Tax Rebates	0.0 million	- 2.2 million
Total Net	<u>\$ - 5.0 million</u>	<u>\$ - 7.8 million</u>

Source

Department of Revenue and Finance

_____/s/ Dennis C Prouty_____

March 20, 2002

The fiscal note and correction impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.
